

Advance Notice of Proposed Rulemaking - Computer Reservation System (CRS) Regulations (Part 255).

COMMENTS OF the Arab Air Carriers Organization “AACO”

The Arab Air Carriers Organization “AACO”, is the regional organization for 22 Arab Airlines located in Beirut, Lebanon.

AACO would like to thank the US DOT for the opportunity to present its comments on its proposed regulations for the Computer Reservation Systems (Dockets Nos. OST – 97 – 2881, OST – 97 – 3014, OST – 98 – 4775, and OST – 99 – 5888).

1- Continuing Need for the CRS Rules and their applicability

The CRSs still represent the major distribution channel for the airline industry with almost more that 70% of the worldwide bookings are made through the major four CRSs.

The changing shareholding status of these CRSs from Airlines owned to public or private companies, thus becoming non airline-systems, is just a proof of the attractiveness of these CRSs to the investors due to their dominant market positions.

We would like to support the proposal of including non airline-systems in the regulations.

2- The Mandatory Participation Rule

We agree with the discussions that the CRSs used this rule. Along with their dominant market position, to gain customers, i.e. airlines, without the need to complete on offering services commensurate with the booking fees they're charging.

We believe that with the diminution of the airlines ownership of the CRS, an elimination of this rule will force the CRSs to work more effectively to gain some airlines, and thus improve the offered services in a non-discriminatory environment.

3- Display Bias

Small \ Medium airlines will be most harmed by the removal of the rules barring of display bias. These airlines do not have the negotiating power to impose the placement of their flight on top of the display. Hence they will be in a disadvantage vis-à-vis big airlines. Accordingly, the options available to the consumer will not be displayed in a way that would suit its needs.

Moreover, the small\medium airlines are not party to the big strategic alliances. The alliance flights are padding the travel agents and pushing away other airlines flights.

Therefore, we kindly urge the US DOT to adopt regulations prohibiting Display Bias and Display Padding.

4- Booking Fees

Booking fees still represent one of the most difficult issues in the relationship between the airlines and the CRSs. This problem has aggravated with the big increases the CRSs are imposing regularly.

The major airlines have been able to reduce this burden by developing other distribution channels (Orbitz for example). However, most of the small\medium airlines do not have the financial power to follow suit. This situation has left them in a very vulnerable position.

We find that removing the rule prohibiting the discrimination in the booking fees will give the major airlines another advantage over small\medium airlines, as the CRSs will turn to these small\medium airlines in order to compensate for the loss of revenue caused by lower booking fees charged to major airlines.

We would like to kindly urge the US DOT to keep the rules prohibiting discrimination in booking fees. We believe that the removal of the mandatory participation rule and keeping non discriminatory fees will force the CRSs to respond to market forces and improve their services.

5- The Marketing Information Data Tapes:

We have no specific problem with removing the MIDTs in their entirety from the market place or their redesign in order to limit the information included in these tapes. However, if these tapes continue in any shape or form we feel that it is only fair to allow greater access to such information to all airlines regardless of their size. We also wish to ascertain that the standards for the MIDTs need to be coordinated internationally in such a manner that would not undermine the marketing powers of airlines for sales in one area while keeping that in another area. Therefore, we believe that any removal from the tapes of

significant information specific to the United States would only render the marketing efforts of airlines operating from other regions more exposed while limiting these efforts when sales are made inside the United States.

We feel that the regulator should play an active role in promoting sale of MIDT to groups of small airlines. Accordingly, we would like to propose that smaller groups of airlines be permitted to purchase MIDT within the following criteria:

- A. Fully merged airlines.
- B. Airlines with an aggregate number of international passengers of less than 25 million per annum provided that the total number of airlines to form a group does not exceed six airlines.
- C. An airline with more than 6 million international passengers per annum cannot join a group to buy the MIDTs.
- D. Airlines members of a group need to apply common processing rules that are identical to all individual members of the group.

We believe that applying the above criteria and limitations would alleviate the concerns of the CRSs that larger airlines, which have individual requirements from MIDTs, would jointly purchase MIDTs and therefore adversely impact the current revenue stream of the CRSs. At the same time this would enable smaller airlines falling strictly under the above definition to access information that is being accessed exclusively by their larger competitors.

Sincerely yours,

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